

Dated: \_\_\_\_\_ 2024

**SOLENT LOCAL ENTERPRISE PARTNERSHIP (LEP)**

And

**FAREHAM BOROUGH COUNCIL (acting as Accountable Body for the Solent Enterprise Zone retained rates growth within the borough of Fareham)**

And

**GOSPORT BOROUGH COUNCIL (acting as Accountable Body for the Solent Enterprise Zone retained rates growth within the borough of Gosport)**

And

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**MEMORANDUM OF UNDERSTANDING**

**for the use of Retained Business Rates generated on the Solent Enterprise Zone**

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## PARTIES

- (1) THE SOLENT LOCAL ENTERPRISE PARTNERSHIP (Solent LEP)
- (2) FAREHAM BOROUGH COUNCIL
- (3) GOSPORT BOROUGH COUNCIL

(each a "Party" and together the "Parties")

## BACKGROUND

- (A) The Solent Enterprise Zone ('EZ') was one of 24 EZs launched in April 2012. It comprises four sites totalling 80 hectares in two local authority boroughs: Fareham Borough Council and Gosport Borough Council.
- (B) Under the EZ regulations, incremental business rates generated above a baseline within the EZ site boundaries are retained locally for 25 years. The designation period for the EZ commenced on the 1 April 2012 and will last up to 25 years.
- (C) Based on the current forecast (as set out in section X), it is estimated retained rates could generate up to £51m over the 25-year period, representing an important source of funding for local economic development in and around the Solent EZ.
- (D) The Parties have agreed to work together to develop a Memorandum of Understanding (MOU) to provide clarity for the use of retained rates derived from the Solent EZ, and a mechanism to consider opportunities for collaboration between the Parties in support of the EZ objectives.

## THE PARTIES AGREE:

### 1. Interpretation

In this MOU the following expressions shall have the following meanings:

"**Accountable Body**" means Fareham Borough Council and Gosport Borough Council acting as Accountable Body for the retained rates growth;

"**Business Rates**" means the levy charged on non-domestic properties by local rating authorities;

"**Business Rate Growth**" means the increase in Business Rates collected by a Relevant Authority over and above the agreed baseline for a Tax Site;

"**Daedalus Site**" means the area of the former HMS Daedalus as shown in Annex B;

"**EZ**" means the Solent Enterprise Zone, being the area shown in Annex A;

"**Gosport Peninsula**" means the administrative areas of Gosport and Fareham.

"**Homes England**" means the executive non-departmental body sponsored by the Department for Levelling Up, Housing and Communities. The organisation was formerly known as the Homes and Communities Agency;

“Investment Programme” means a long term strategy and associated programme of work that enable the full potential of the Enterprise Zone to be unlocked;

**"Relevant Authority or Rating Authority"** means the two local authorities with responsibility for calculating, billing, collecting, holding and then expending the retained business rates generated at the Enterprise Zone, namely Fareham Borough Council and Gosport Borough Council. The Relevant Authorities also act as the Accountable and Responsible body for the use of the retained rates.

**"Retained Business Rates"** means the means:

Business Rates paid to Ratings Authorities in the Enterprise Zone Area by such end users (once eligibility for Business Rates Relief has expired) and by any other end users in the Enterprise Zone area for a period of up to 25 years from the commencement date (to the extent that such Business Rates exceed the baseline level of rates as established by the Rating Authority received at those tax sites prior to the commencement date); which, in each case, local authorities are entitled to retain to fund local investment and infrastructure projects for the purposes of furthering the Enterprise Zone Objectives;

**“Solent Enterprise Zone Investment Board” or “SEZIB”**, means the Advisory Board established to develop and oversee the EZ Investment Plan and to make recommendations to the Relevant Authority for use of the Retained Business Rates pertaining to their respective borough areas (Terms of Reference in Annexe C). The SEZIB brings together representatives from the Solent LEP, Fareham Borough Council, Gosport Borough Council.

**“Solent Enterprise Zone Strategic Partnership Group” or “SEZSPG”**, means the professional group, established to co-ordinate the delivery of the EZ investment plan, to provide advice to the SEZIB and to review progress on a regular basis of the EZ’s business and marketing plans (Terms of Reference in Annexe C). The SEZSPG brings together officers from the Solent LEP, Fareham Borough Council, Gosport Borough Council and Hampshire County Council.

**"Solent LEP"** means Solent Local Enterprise Partnership Limited;

**“The Parties”** are signatories to the MOU which are the Solent LEP, Fareham Borough Council, Gosport Borough Council.

## 2. Purpose of this MOU

In England, Enterprise Zones (EZs) are geographically defined areas in which commercial and industrial businesses can receive incentives to set up or expand. Alongside incentives for businesses, EZs also allow Rating Authorities to retain all business rate growth (i.e. over and above the baseline) within the designated EZ area for 25 years for the purposes of reinvesting in the area.<sup>1</sup>

The Solent EZ’s strategic objectives are to:

- promote an advanced manufacturing and technology cluster focused on marine, aviation, and aerospace;
- utilise the incremental growth in business rates to unlock the full potential of this and other Solent employment sites;
- provide a catalyst for the regeneration of the Gosport peninsula, defined as the administrative boroughs of Gosport Borough Council and Fareham Borough Council, with the former identified as the least economically viable area in South Hampshire; and

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<sup>1</sup> House of Commons Library, February 2023, Enterprise Zones, available here: <https://commonslibrary.parliament.uk/research-briefings/sn05942/>

- create up to 3,700 additional jobs, making a significant contribution to the Solent LEP’s stated target of 10,000 new jobs in the Solent LEP area.

Retained Business Rates provide a source of funding for initiatives that are key to the Enterprise Zone’s success, including enabling infrastructure, skills and innovation. The funds generated will be used primarily to support the delivery of the stated objectives for the SEZ, leading to sustainable growth and jobs creation in the target sectors and regeneration for the SEZ itself and the local area.

The purpose of this MOU is set to out the Parties’ plans for managing the use of retained business rates generated on the Solent EZ (see map in Annex A). This includes:

(1) Strategic Focus	<ul style="list-style-type: none"> <li>• The purpose and priority use of the Retained Business Rates</li> <li>• The eligibility of proposals requiring Retained Business Rates funding</li> </ul>
(2) Financial arrangements	<ul style="list-style-type: none"> <li>• The arrangements for collecting, holding and expending the Retained Business Rates over the life of the EZ</li> <li>• Approach to borrowing against retained rates, where applicable.</li> </ul>
(3) Governance	<ul style="list-style-type: none"> <li>• How decisions regarding the use of Retained Business Rates will be taken and the process for prioritising and selecting projects for funding.</li> <li>• Where ownership of the business rates policy lies and including how and when it will be reviewed and evaluated.</li> </ul>

### 3. Key principles

This MOU recognises that the Parties have certain shared priorities and outcomes, such as supporting local economic growth and skills development and it encourages the use of the retained business rates to support and promote these shared priorities and outcomes.

The MOU respects the independent standing of Fareham Borough Council and Gosport Borough Councils as the Relevant Authorities, and as the ultimate decision-makers of how the retained rates are used.

The MOU also respects the broader roles of all Parties in promoting and enabling economic regeneration and prosperity in their respective administrative areas. In particular, it recognizes

- i. the leadership role of the Solent LEP in relation to the Solent area, and the contribution that the EZ makes to the Solent economy;
- ii. the function of Hampshire County Council in leading the Economic and Growth Strategy for Hampshire, in which the EZ resides, and the contribution it makes to delivering economic growth in the administrative area of Hampshire;
- iii. the function of Fareham Borough Council and Gosport Borough Council in leading and promoting economic wellbeing in their administrative areas, and the significant contribution the EZ makes to their local economic priorities.

The over-arching ambition of the EZ is to create and sustain jobs and economic growth locally, making it a destination of choice for engineering, manufacturing and technology businesses; especially those within the marine, aerospace and aviation sectors, but also emerging priority sectors over the life of the EZ.

The principal purpose of retained business rates is to unlock the full potential of the EZ. It is therefore anticipated that the majority of Retained Business Rates will be prioritized in the first instance to investment in/around the EZ area, on proposals that maximise the potential benefits of

the EZ. Secondly, Retained Business Rates will be used as a catalyst for economic growth across the Gosport Peninsula and thereafter should be made available to support the economic strategies for the Solent area and for the Hampshire area, where they contribute positively to the achievement of the objectives of the EZ.

Finally, it is appropriate to recognise that the Relevant Authorities should be 'no worse off' as a result of administering the retained rates, and that all reasonable costs arising from the administration and servicing of the rates, including associated governance, monitoring and reporting arrangements, should be met from the retained rates generated at the EZ.

## 4. Strategic focus

This section sets out the priority uses of the retained business rates in order, together with broad eligibility criteria against which projects will be assessed. This is not intended to be an exhaustive or indicative list, but will guide decision-making as proposals are brought forward.

### Priority One: Investment to Unlock the Full Potential of the Solent Enterprise Zone

The principle and primary objective for the use of Retained Business Rates is to unlock the full potential of the Enterprise Zone, through investment at the Daedalus site and in the immediate locale, where the investment makes a direct and positive contribution to achievement of the Solent Enterprise Zone objectives, as set out in Section 2 of this MoU.

Investment may take the form of capital or revenue expenditure, and will include:-

- Enabling infrastructure (onsite highways, drainage, utilities, environmental works, etc) required to bring forward plots for development;
- Utilities works, on and off site, to provide the required utilities capacity at the Daedalus site;
- Offsite Highways works, to provide necessary highways capacity and linkages to serve the Daedalus site;
- Other enabling works to facilitate the delivery of development plots (including on and off site environmental mitigation, site abnormalities, contamination, etc)
- Speculative commercial development schemes to accelerate the delivery of jobs and economic development and to support the financial viability of the Daedalus site;
- Investment to improve the carbon footprint of development proposals, or the wider Daedalus Site;
- Activity that enhances productivity through developing and enhancing skills and innovation;
- Marketing and promotional activity that raises the profile of the Enterprise Zone;
- Professional services to accelerate delivery of the Enterprise Zone objectives
- Training and development to support economic and skills growth at the Daedalus site

### Priority Two: Investment as a Catalyst for the Regeneration of the Gosport Peninsula

The second priority use of Retained Business Rates is to support proposals that contribute positively to the economic activity in the Gosport Peninsula. This includes capital or revenue expenditure both at the Daedalus Site and in the wider peninsula, that demonstrably leads to the creation of new jobs and economic growth on the Gosport Peninsula.

It is anticipated that Priority Two investment will only be considered once all the necessary enabling infrastructure required at the Daedalus Site has been fully funded.

## Priority Three: Support Delivery of Economic Strategies for the Solent and Hampshire

Once Priority One and Two objectives have been fulfilled, the remaining Retained Business Rates will be made available to support investment that makes a positive contribution to the complementary priorities as set out in the Economic Strategies of the Solent LEP and Hampshire County Council.

It is anticipated that any Priority Three investment will make a demonstrably positive contribution to the boroughs of Fareham and Gosport but recognising that it may not lead directly to job and economic growth in the boroughs.

### Project Eligibility

The principal purpose of retained business rates is to support a suite of investments designed to deliver the Solent EZ's strategic objectives set out Section 2 of the MOU.

This MOU recognises that, in the short to medium term, the investment programme will mainly comprise Priority One projects. Priority Two projects are likely to be brought forward later in the Investment Programme, into the medium to longer term. Priority Three projects provide for longer term opportunities and are unlikely to feature in the Investment Programme until the full potential of the Enterprise Zone has been realised.

Notwithstanding the above, all proposals will be required to demonstrate how the investment contributes to the delivery of the Enterprise Zone objectives. Through the development of a comprehensive business case, each investment proposal will be considered against the following criteria, where appropriate:

- Rationale:** The contribution to addressing relevant market failures associated with the EZ;
- Strategic fit:** Demonstrating the contribution to the delivery of the EZ's strategic objectives, especially in the target sectors for the EZ;
- Deliverability:** Ensuring that the initiative is deliverable within an agreed timescale, with the appropriate level of procurement strategy, project management and governance in place.
- VFM:** Demonstrating the benefits generated against costs of the project.
- Demand:** the evidence of demand for the project from developers and future occupiers.
- Viability:** Assessment of viability that demonstrates the positive contribution derived from public sector funding support;
- Leverage:** An assessment of leveraged funding from other sources (public or private) to deliver the proposal, together with the consequential private sector investment at the EZ, as a result of the investment.
- Affordability** How the project is financially secure in the short term and financially sustainable in the longer term.
- Compliance:** Funding must be compliant with the [Subsidy Control Act 2022](#). It is the responsibility of scheme promoters to ensure that proposed use of the grant funds is compliant with Subsidy Control regulations.

## 5. Financial arrangements

This section summarises the current expected value of retained business rates and the approach to borrowing against rates where applicable.

## Expected value of retained business rates

The following table summarises outputs from financial modelling on the expected size and profile of the business rates programme. This is broken down by EZ area and Rating Authority.

Site	Rating authority	Estimated BRR over 25 years (£m)	Size of site (hectares)
Daedalus West	Fareham Borough Council	3.7	14
Daedalus East	Fareham Borough Council	39.0	40
Waterfront Area and Daedalus Park	Gosport Borough Council	8.4	26
<b>Total</b>		51.1	80

These figures remain forecasts only and will in practice be driven by the timing and pace of investment, the rateable values determined by the Valuation Office Agency (subject to appeals and review), and any future reform of the business rates system (including changes to the multiplier). This forecast will be updated periodically by the Local Rating Authorities, to inform investment decisions.

### Custodians of Retained Business Rates

As the bodies accountable for the Retained Business Rates, Fareham Borough Council and Gosport Borough Council will hold their respective Retained Business Rates growth in an earmarked reserve, for the purpose of funding expenditure in accordance with this MoU. The Relevant Authorities will also be entitled to meet their reasonable costs of holding and administering the retained rates from the funds available, including (but not limited to) holding and servicing the funds, administration, governance, reporting and monitoring, marketing and promotional costs. The reserves will be managed in line with the Financial Policies/Strategy for the respective Councils.

### Borrowing

As the bodies accountable for the Retained Business Rates, Fareham Borough Council and Gosport Borough Council will be responsible for deciding whether to borrow against retained rates income or enter into an agreement with a third party to do so. Rating Authorities will underwrite the borrowing risk in line their respective Treasury Management Strategies and policies.

## 6. Governance

This section sets out how decisions regarding the use of retained rates will be taken, the process for prioritising and selecting projects for funding, and where ownership of the retained business rate policy lies.

The arrangement for determining investment decisions is set out in Annex B.

There will be three layers to govern the Investment Programme for the Retained Business Rates.

### 1. Solent Enterprise Zone Strategic Partnership Group (SEZSPG)

The Solent Enterprise Zone Partnership Group is the professional advisory group, established to oversee and co-ordinate the delivery of the EZ Investment Plan. The Group will keep under review the EZ's marketing and promotional plans and will facilitate a co-ordinated approach to the delivery

of development and other projects on the EZ. The Group will also provide advice and guidance to the Investment Board.

The SEZSPG is comprised of a representative from Fareham Borough Council, Gosport Borough Council, Hampshire County Council and Solent LEP, and will be serviced by the Relevant Authorities on an annually rotating basis. The SEZSPG will meet on a quarterly basis.

Statutory responsibilities of individual representatives are not displaced by the Group, but members will collaborate to ensure co-ordinated effort, shared learning and best practice, management of interdependencies and the ability to present a coherent and accurate assessment of progress.

The main purpose of the SEZSPG is to:

- Understand and support all the delivery partners of the EZ and to overcome any significant barriers to unlocking the full growth potential of the EZ;
- Act collectively to lobby Government and other relevant parties for financial incentives in order to secure appropriate investment;
- Ensure that the EZ is collectively promoted, in order to successfully attract suitable investment, development, retain and grow existing businesses as well as support job creation.
- Reviewing the delivery of relevant funded projects and creating a co-ordinated approach to communications with occupiers, potential occupiers and the public;
- Represent the interests of all stakeholders in the EZ;
- Monitor both performance and risk regarding the delivery of the EZ; and
- Oversee the effective implementation of the Solent Enterprise Zone Implementation Plans
- Provide advice to the Solent Enterprise Zone Investment Board, such that they are able to make informed recommendations for investment decisions to the Local Authorities.

## 2. Solent Enterprise Zone Investment Board (SEZIB)

The Solent Enterprise Zone Investment Board is the advisory panel of local representatives, established to oversee the EZ Investment Plan for the EZ. Guided by advice from the SEZSPG, the Board will consider proposals for the use of Retained Business Rates, and make recommendations to the respective Local Authority that will make the investment decision.

The SEZIB is comprised of a Councillor/Board Member from Fareham Borough Council, Gosport Borough Council and Solent LEP, and will be serviced by the Relevant Authorities on an annually rotating basis. The quorum for any meeting of the Group shall be two members to include at least one representative of the Responsible Authority for any proposal under consideration.

The main purpose of the SEZIB is to:

- Develop and review an Investment Plan for the Enterprise Zone, to include the role of the Retained Business Rates in fulfilling the Plan;
- Critically review investment proposals for the use of Retained Business Rates, in accordance with the priorities set out in this MoU
- To make Board recommendations to the respective Local Authority, when they consider investment decisions funded by the Retained Business Rates.
- Advocate for the Solent Enterprise Zone and support the delivery partners of the EZ to overcome any significant barriers to unlocking the full growth potential of the EZ;



The Group will meet a minimum of two times a year, and as required to consider investment decisions that are brought forward.

### 3. Local Rating Authorities (LRAs)

Investment decisions pertaining to the use of the Retained Business Rates will be made by the local rating authorities, Fareham Borough Council and Gosport Borough Council, as custodians of the retained rates and ultimate decision-maker.

The local authorities will use their standard constitutional decision-making processes to determine all decisions, and each decision will be subject to the Council's existing scrutiny arrangements.

While not bound by the recommendations from the SEZIB, each local authority will have regard to the rationale and recommendation made by the SEZIB, in determining whether an investment proposal should be supported.

Should the local authority consider it appropriate to reject the recommendation, it will provide its decision together with its reasons for its decision to the SEZIB for doing so, in a timely manner.

## 7. Monitoring and Reporting

The Rating Authorities will hold and account for business rates and, with support from SEZSPG, will monitor and report the status on an annual basis in an agreed format via the SEZIB. The annual report will include:

- Investment decisions made
- Progress updates
- Cumulative costs and benefits
- Delivery plan
- Rates received, deployed, committed and projected and held uncommitted.

Working with the Rating Authorities, the SEZSPG will carry out ongoing monitoring of the Enterprise Zone and will provide the information required to meet required EZ data reporting requirements.

## 8. Policy review process

Ultimate accountability of the retained rates rests with the Local Rating Authorities. However, recognising the mutual interest of all parties to this MoU, the Partners will share the information needed to facilitate reporting on the benefits realisation from the EZ and any investment derived from Retained Business Rates. This includes:

- Latest revenue forecasts (updated on an annual basis, at a minimum)
- Rates received / deployed / due
- Benefits delivered / forecasted
- Proposed investment recommendations

The Parties also reserve the right to update the MOU in the event of a substantive policy change (e.g., HM Government rates review or relevant policy update)

## 9. Term and termination

This MOU shall commence on [DATE], and shall expire on [DATE]. In the event a Party withdraws from this MOU, the MOU will remain in force in relation to the remaining Parties unless agreed otherwise in writing by a majority of the remaining Parties or the withdrawal of a Party renders the operation of the MOU materially undeliverable.

## 10. Dispute resolution

If any issues, concerns or complaints arise of in or in connection with the MOU, that Party shall notify the other Parties and the Parties shall then collectively seek to resolve the dispute by a process of consultation. If the dispute cannot be resolved within a reasonable period of time, the matter shall be escalated to the senior officers of each respective Party. If any Party receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, requests for information made under the Freedom of Information Act 2000) in relation to the MoU, the matter shall be promptly referred to the Local Rating Authorities. No action shall be taken in response to any such inquiry, complaint, claim or action, to the extent that such response would adversely affect the Project, without the prior approval of the Parties (unless otherwise required by law).

## 11. Freedom of Information

Each party will provide to the other parties any information in its possession that may be reasonably requested by the other parties, subject to any Data Protection or confidentiality constraints, safeguards, and statutory rules on disclosure. Each party will consult the relevant other parties before making to any third party any significant disclosures of information under the Freedom of Information Act 2000 and/or the Environmental Information Regulations 2004 in relation to this MoU. The requirements in this section and Section 12 (Confidential Information) below are subject to any HMG requirements as to transparency which may apply to either or all Parties from time to time.

## 12. Confidential Information

Each party understands and acknowledges that it may receive or become aware of Confidential or Commercially Sensitive Information of the other parties (which may include information where the other party owes a duty of confidence to a third party) whether in the course of performance of the key commitments as set out in the Solent Enterprise Zone Proposal or otherwise.

Except to the extent set out in this section or where disclosure is expressly permitted elsewhere in this MoU each party shall treat all the other parties Confidential or Commercially Sensitive Information as confidential and safeguard it accordingly (which shall include complying with any protective markings on documents and instructions supplied by the other parties). In particular, none of the parties will do anything that may place the other parties in breach of a duty of confidence owed to a third party. A party receiving Confidential or Commercially Sensitive information shall not disclose Confidential or Commercially Sensitive Information to any non-Crown bodies without the prior consent of the other parties or otherwise as specifically required by law.

### 13. Variation

This MOU, including the Annexes, may only be varied by written agreement of the Parties.

### 14. Status

This MOU is not intended to be legally binding, and no legal obligations or legal rights shall arise between the Parties from this MOU. The Parties enter into the MOU intending to honour all their obligations.

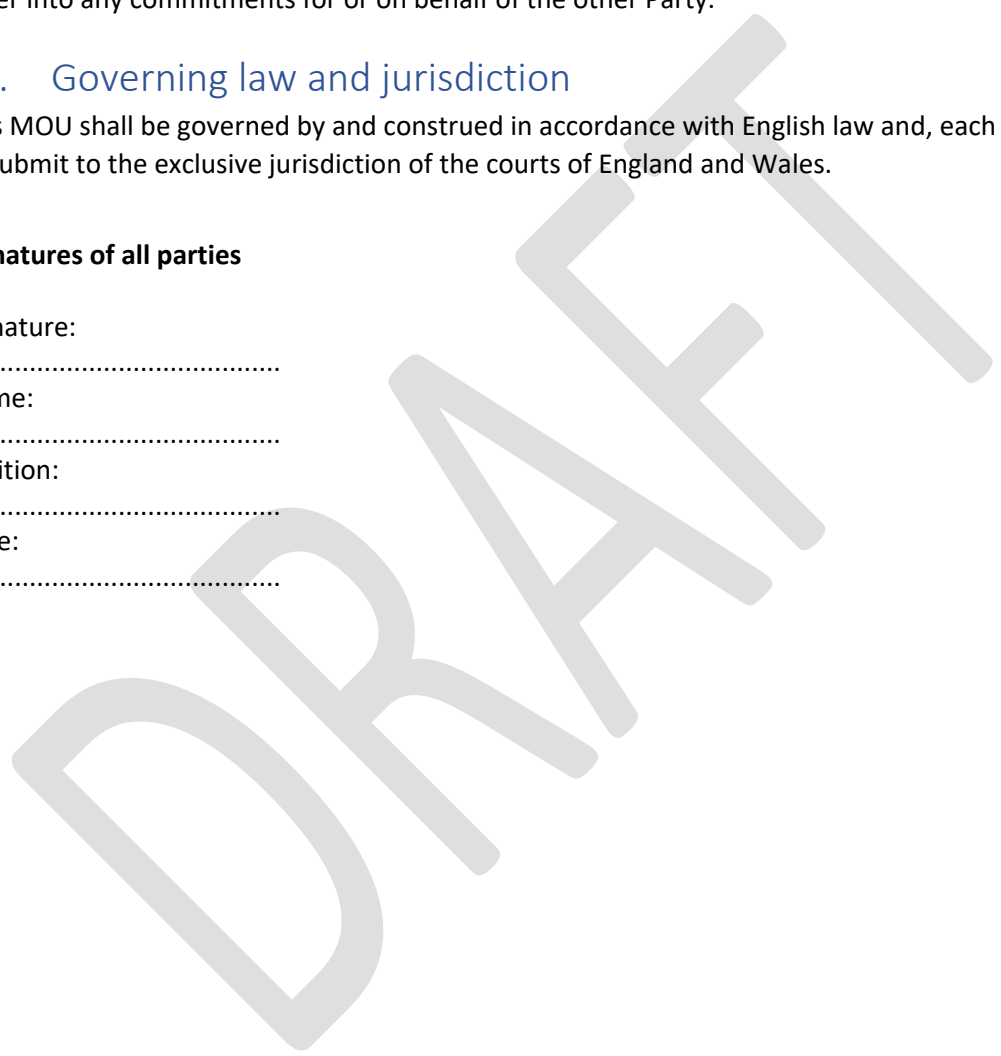
Nothing in this MOU is intended to establish any partnership or joint venture between the Parties, constitute any Party as the agent of the other Party, nor authorise any of the Parties to make or enter into any commitments for or on behalf of the other Party.

### 15. Governing law and jurisdiction

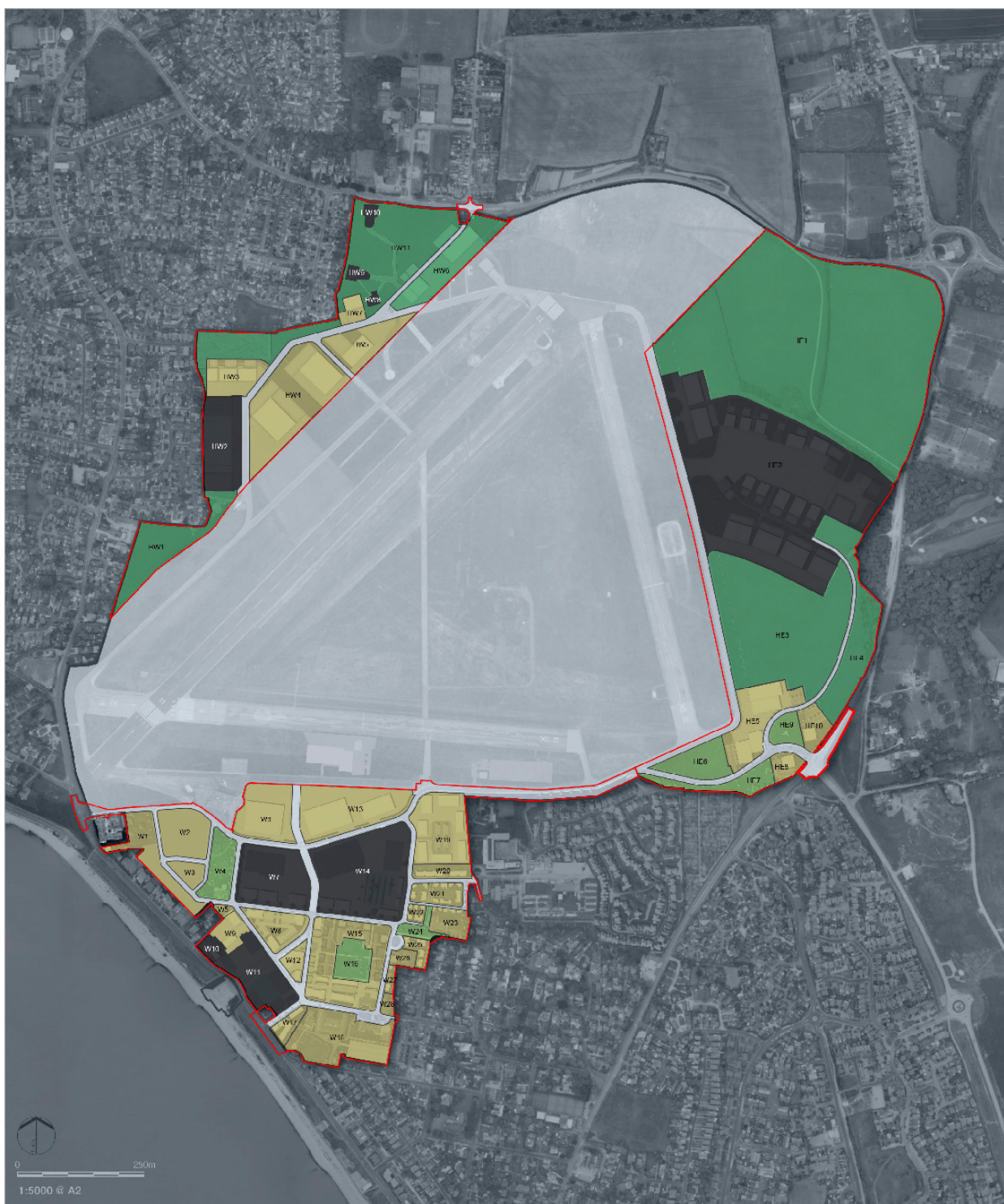
This MOU shall be governed by and construed in accordance with English law and, each Party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

#### Signatures of all parties

Signature:  
.....  
Name:  
.....  
Position:  
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Date:  
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# Annexe A – Map of the Enterprise Zone at Daedalus



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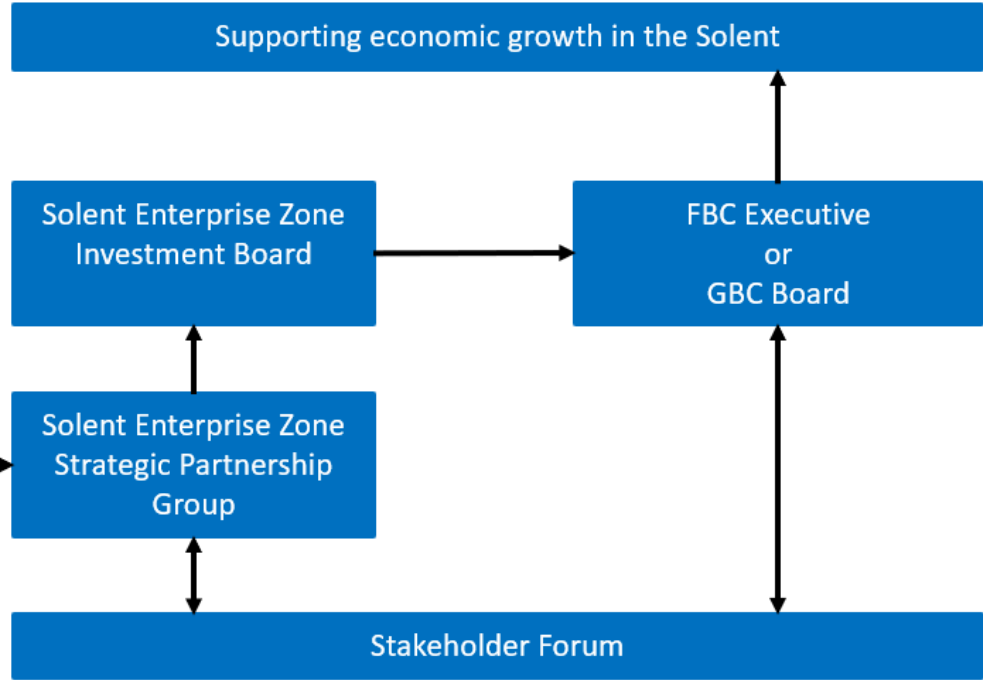
**Annexe C – Proposed Governance Structure**

Solent EZ investment Board comprise 1 Cllr/Board Member and 1 Officer from each of FBC, GBC, LEP

Investment Board develop and oversee EZ Investment Plan and make recommendations to GBC/FBC for investment decisions.

Recommendations guided by SEZ MoU

Investment proposals



Solent EZ MoU and Solent Economic Plan drive investment decisions

FBC Executive/GBC Board responsible for investment decisions. Local scrutiny arrangements apply. Investment decisions guided by recommendations from SEZ Investment Board

Solent EZ Strategic Partnership Group (officer-based) to co-ordinate delivery of EZ investment plan and provide advice to Investment Board

Stakeholder Forum information and knowledge sharing with key stakeholders